

EASTON TOWNSHIP
Ionia County, Michigan

Financial Statements

And

Independent Auditor's Report

For the Year ended March 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name EASTON TOWNSHIP	County IONIA
Audit Date 3/31/05	Opinion Date 11/9/05	Date Accountant Report Submitted to State: 11/28/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

RECEIVED
DEPT. OF TREASURY

NOV 30 2005

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report or comments and recommendations

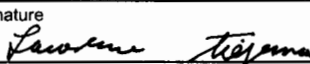
LOCAL AUDIT & FINANCE DIV.

You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) LAWRENCE TIEJEMA, PC			
Street Address 1187 HAWLEY HIGHWAY	City SARANAC	State MI	ZIP 48881
Accountant Signature 		Date 11/28/05	

EASTON TOWNSHIP

TABLE OF CONTENTS

MARCH 31, 2005

	<u>Page</u>
Independent Auditor's Report.....	1 – 2
Management Discussion and Analysis.....	3 – 11
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets.....	12
Statement of Activities.....	13 – 14
Fund Financial Statements:	
Balance Sheet – Government Funds.....	15
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets.....	15
Statement of Revenues, Expenditures, and Changes In Fund Balance – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund....	17
Fund Balance – Budget & Actual – Special Revenue..	18
Sewer Fund – Statement of Net Assets	19
Sewer Fund – Statement of Revenues, Expenses, and Changes in Net Assets	20
Sewer Fund – Statement of Cash Flows	21
Tax Agency Fund Statements.....	22
Notes to the Financial Statements.....	23 – 37
Supplementary Information:	
Schedule of General Fund Revenues, Expenditures, And Changes in Fund Balance – Budget and Actual (detail)...	38 – 40
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	41 – 42

Lawrence Tiejema, PC

Certified Public Accountant

1187 Hawley Highway

Saranac, MI 48881

Phone: 616-642-0384

Fax: 616-642-0610

Email: tiej@iserv.net

INDEPENDENT AUDITOR'S REPORT

November 9, 2005

The Township Board
Easton Township
Ionia County, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Easton Township, Ionia County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, and the aggregate remaining fund information of Easton Township, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated November 9, 2005, on my consideration of Easton Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 to 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Easton Township's basic financial statements. The governmental, enterprise, and accompanying schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Lawrence Tiejema

Lawrence Tiejema, PC

November 9, 2005

Management Discussion and Analysis

Easton Township has dealt with many financial challenges during the year ended March 31, 2005. Several road projects have been reviewed, and approval has been given to those projects that benefit the most township residents. In addition, your township board has adopted a conservative budget in order to meet the legal challenge to its minimum lot size of one-half acre. Overall, this conservative approach has helped the township to meet its legal challenges while it provides the needed infrastructure improvements to its roads and bridges.

Financial Highlights

- (1) Government fund revenues exceeded expenditures by \$48,109 in the year ended March 31, 2005, raising unrestricted net assets from \$962,148 to \$1,010,167.
- (2) The amount of \$10,000 was transferred from the Special Revenue Fund to the General Fund in anticipation of legal fees related to the legal challenge from Westview Partners LLC.
- (3) The township repaired a section of the Easton Cemetery road that had sunk below the surface and resurfaced the entire road at a cost of \$34,030.
- (4) The floor in the township hall was refinished and protected with several hard-surface layers at a cost of \$3,200.
- (5) The township spent \$154,891 on road projects for the year ended March 31, 2005. Wall Street was improved from West Main Street to Yeomans Street, and Bellamy Road was improved from Potters Road to M-21. Other projects included the crack-sealing of sections of Bellamy Road, Parmeter Road, and Sayles Road, and brush-cutting on Marquette and Parmeter Roads.
- (6) While most townships experienced decreased state revenue sharing dollars, Easton Township's revenue sharing rose from \$319,264 to \$322,854. This can be attributed to Easton Township's credit for the inmate population at the state reformatories.
- (7) Governmental funds earned \$21,068 in interest on checking/savings accounts and certificates of deposit. This represents 5% of the government fund's revenue.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the government-wide statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, recreation and cultural, and cemetery. The business-type activity of the Township is the Sewer Fund.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. (All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds).

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government wide-financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township adopts an annual appropriated budget. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary funds. The township maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its sewer system operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Easton Township has one fiduciary fund, the Tax Agency Fund.

The basic fiduciary fund statements for the tax agency fund can be found on page 22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 23-27 of this report.

Easton Township's Net Assets

Easton Township's Net Assets			
	Governmental Activities	Business-type Activities	Total
Current and other assets	969,906	394,757	1,364,663
Capital assets	53,627	257,327	310,954
Total assets	1,023,533	652,084	1,675,617
Long-term liabilities outstanding		-	0
Other liabilities	13,366	-	13,366
Total liabilities	13,366	-	13,366
Net assets:			
Invested in capital assets, net of related debt	53,627	257,327	310,954
Restricted for sewer maintenance		394,757	394,757
Unrestricted	956,540	-	956,540
Total net assets	1,010,167	652,084	1,662,251

Governmental funds consist of the General Fund and Special Revenue Fund. The Special Revenue Fund was established by the township as an emergency fund to finance special needs of the township. The current assets of the government funds consist of deposit accounts totaling \$850,241 and taxes receivable from the State of Michigan and the County of Ionia. The County of Ionia pays the Township for any 2004 real property taxes that are delinquent as of March 1. The delinquent taxes receivable as of March 31, 2005, was \$5,455. The government funds' liabilities consist of expenses incurred before April 1, 2005, but paid after the fiscal year ended. The largest payable was pension contributions payable of \$10,447.

The business-type activity is the Sewer Fund. Its current and other assets consist of deposit accounts and capital charges receivable. When residents hooked up to the sewer system, each resident could either pay the hook-up charge in full or pay it over a period of 25 years. Residents who opt for the installment payment make a quarterly payments of \$26.97. The remaining principal (capital charges) as of March 31, 2005, was \$99,930. The capital assets of the Sewer Fund are the sewer lines that were constructed in the township before August 2001 at a cost of \$397,654. Their book value at March 31, 2005, is \$257,327. The Sewer Fund's net assets are restricted to the repair of these lines over their lifetime.

Easton Township's Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue:			
Program revenue:			
Charges for services	29,778	-	29,778
Capital grants and contributions	-	-	-
General revenue:			
Property taxes	60,709	-	60,709
State Sources	322,854	-	322,854
Other	21,067	12,986	34,053
Total revenue	434,408	12,986	447,394
Expenses:			
General government	123,453		123,453
Legislative	8,164		8,164
Public safety	50,962		50,962
Public works	162,694		162,694
Recreation and culture	17,589		17,589
Cemetery	23,527		23,527
Sewer	-	9,153	9,153
Total expenses	386,389	9,153	395,542
Increase (decrease) in net assets	48,019	3,833	51,852
Net assets – beginning of year	962,148	648,251	1,610,399
Net assets – end of year	1,010,167	652,084	1,662,251

The revenues for government funds increased \$21,183 while expenditures increased \$129,071 from the prior year. The main expenditure increases came from general government, \$21,183; public works, \$104,424; and cemeteries, \$9,512. The principal increase in public works spending came from new project expenditures of \$91,474 while the main cemetery additional cost was the \$4,456 expense for fill dirt in connection with the upgrade of the cemetery road.

The Sewer Fund's revenues came from capitalized interest of \$5,485 and investment interest of \$7,501. The Fund's expenses came from administrative costs of \$1,200 and depreciation expense of \$7,953. Overall, Easton Township's net assets from government and business-like activities grew by \$51,852 during the year ended March 31, 2005.

Easton Township's Capital Assets

	Governmental activities	Business-type activities	Total
Land	7,325	-	7,325
Buildings and Improvements	40,570	-	40,570
Machinery and Equipment	5,732	-	5,732
Utility Systems	-	257,327	257,327
Total	53,627	257,327	310,954

During the year ended March 31, 2005, the Township's government activity invested in \$33,540 in capital assets while incurring depreciation expense of \$3,620, for a net increase of \$29,920. The largest capital asset addition was the cemetery road improvement of \$29,574. During the same period, the Sewer Fund's capital assets dropped from \$265,280 to \$257,327 as a result of the depreciation expense of \$7,953.

Easton Township – Future Challenges and Opportunities

The governmental and enterprise funds of Easton Township have the needed reserves to meet future needs. The governmental funds cash fund balance of \$850,241 is sufficient to pay for nearly two years of operating expenditures. The net assets of the Sewer Enterprise Fund of \$394,757 are designed to cover any necessary repair to sewer lines built in Easton Township before August 2001. These assets will continue to grow in the coming year and should be adequate for any foreseeable expenses to the system.

The two biggest challenges that the Township faces in the near future:

- (1) Maintenance of roads within the Township.
- (2) Legal challenges to township ordinances.

While the County of Ionia is legally responsible for the maintenance of nearly all of Easton Township's secondary roads, the county's funding from the State of Michigan is not sufficient to maintain gravel roads and pave the gravel roads that are heavily traveled. Easton Township has supplemented county funds by providing gravel, grading, and brining to gravel roads and resurfacing to existing paved roads. The increasing population and use of gravel roads has resulted in citizen demand and expectation for additional paving of gravel roads. The funds to pave all the gravel roads that are experiencing substantially more traffic are not available to the Township. One possible solution is the development of special assessment districts in which the residents and township share the cost of paving gravel roads. In the meantime, the Township is allocating road improvement funds to the roads that are experiencing the heaviest traffic where the improvements will benefit the largest number of township residents.

Though Easton Township does not have a zoning ordinance that might require legal defense, it does have ordinances that could be legally challenged. At the current time, an ordinance requiring a minimum lot size of one-half acre is being challenged by Westview Partners LLC. It is the goal of Westview Partners LLC to develop a high-density development with lot sizes that are less than the township minimum. This issue went before Ionia County Circuit Court in August of 2005. The Circuit Court found in favor of Easton Township by agreeing with the validity of the Easton Township ordinance calling for one-half acre lot minimums. However, Westview Partners LLC may appeal the case to the Michigan Court of Appeals. If this occurs, subsequent legal costs could go upwards of \$20,000.

Easton Township has sufficient net assets to fix critical roads, represent the township in court, and address the other needs of its residents. The reserves built up over prior years are sufficient to meet township needs in the near future.

EASTON TOWNSHIP
STATEMENT OF NET ASSETS

MARCH 31, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and deposits	\$ 850,241	\$ 294,827	\$ 1,145,068
Receivables			
Due from other funds	7,703		7,703
Due from other governments	111,962		111,962
Capital charges receivable		99,930	99,930
Capital assets, net of accumulated depreciation	53,627	257,327	310,954
Total Assets	1,023,533	652,084	1,675,617
Liabilities			
Accounts payable	13,366	-	13,366
Total Liabilities	13,366	-	13,366
Net Assets			
Invested in capital assets, net of related debt	53,627	257,327	310,954
Restricted for:			
Sewer maintenance		394,757	394,757
Unrestricted	956,540		956,540
Total net assets	\$ 1,010,167	\$ 652,084	\$ 1,662,251

The accompanying notes are an integral part of the financial statements.

EASTON TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005

Functions/ Programs	Expenses	Program Revenues	
		Charges for Services	Net (Expense) Revenues
Primary government			
Governmental activities:			
General government	\$ 123,453	\$ 22,037	\$ (101,416)
Legislative	8,164		(8,164)
Public safety	50,962	2,916	(48,046)
Public works	162,694		(162,694)
Recreation and culture	17,589		(17,589)
Cemetery	23,527	4,825	(18,702)
Total government activities	386,389	29,778	(356,611)
Business-type activity:			
Sewer	9,153	0	(9,153)
Total primary government	\$ 554,001	\$ 303,777	\$ (250,224)

(Continued)

The accompanying notes are an integral part of the financial statements.

EASTON TOWNSHIP
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED MARCH 31, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (356,611)	\$ (9,153)	\$ (365,764)
General revenues:			
Property taxes	60,709		60,709
State revenue sharing	322,854		322,854
Investment earnings	21,067	12,986	34,053
Total general revenues	404,630	12,986	417,616
Change in net assets	48,019	3,833	51,852
Net assets, beginning of year	962,148	648,251	1,610,399
Net assets, end of year	<u>\$ 1,010,167</u>	<u>\$ 652,084</u>	<u>\$ 1,662,251</u>

(Concluded)

The accompanying notes are an integral part of the financial statements.

**EASTON TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2005**

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL</u>
Cash and deposits	\$ 768,110	82,131	850,241
Receivables:			
Due from other governments	111,962		111,962
Due from other funds	7,703		7,703
Total receivables	119,665		119,665
 TOTAL ASSETS	 <u>887,775</u>	 <u>82,131</u>	 <u>969,906</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
Accounts payable and accrued expenditures:			
Accounts payable	13,366	-	13,366
 TOTAL LIABILITIES	 13,366	 -	 13,366
 FUND BALANCE			
Undesignated	874,409	82,131	956,540
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 887,775</u>	 <u>82,131</u>	 <u>969,906</u>

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF THE GOVERNMENTAL
ACTIVITIES ON THE STATEMENT OF NET ASSETS**

Fund balance -- total governmental funds.....	956,540
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add -- land.....	7,325
Add -- capital assets.....	76,831
Deduct -- accumulated depreciation.....	(30,529)
Net assets of governmental activities.....	
The accompanying notes are an integral part of the financial statements.	= 1,010,167

EASTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

	GENERAL FUND	SPECIAL REVENUE FUND	TOTALS
REVENUES:			
Property taxes	\$ 60,709		\$ 60,709
Licenses & permits	6,784		6,784
State sources	326,433		326,433
Charges for services	7,675		7,675
Fines and forfeitures	2,916		2,916
Transfer from Special Revenue Fund	10,000		10,000
Interest	19,303	1,765	21,068
Other	8,823		8,823
TOTAL REVENUES	442,643	1,765	444,408
EXPENDITURES:			
General government	126,453		126,453
Legislative	5,933		5,933
Public safety	50,962		50,962
Public works	162,694		162,694
Recreation and culture	17,589		17,589
Cemetery	52,677		52,677
Transfer to General Fund	-	10,000	10,000
TOTAL EXPENDITURES	416,308	10,000	426,308
REVENUES OVER EXPENDITURES	26,335	(8,235)	18,100
NET CHANGE IN FUND BALANCES	26,335	(8,235)	18,100
FUND BALANCE, BEGINNING OF YEAR	861,440	90,366	951,806
FUND BALANCE, END OF YEAR	<u>\$ 887,775</u>	<u>\$ 82,131</u>	<u>\$ 969,906</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES**

Net change in fund balances -- total government funds.....	\$ 18,100
Government funds expense capital outlays in the current year while the Statement of Net Assets allocates them over useful life:	
Add capital outlay.....	33,539
Deduct - depreciation expense.....	(3,620)
Change in net assets of government activities.....	<u>\$ 48,019</u>

The accompanying notes are an integral part of the financial statements.

**EASTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Property taxes	\$ 67,668	\$ 67,668	\$ 60,709	\$ (6,959)
Licenses and permits	7,600	7,600	6,784	\$ (816)
State sources	306,500	306,500	326,433	\$ 19,933
Charges for services	2,500	2,500	7,675	\$ 5,175
Fines and forfeitures	1,500	1,500	2,916	\$ 1,416
Interest	4,400	4,400	19,303	\$ 14,903
Other	0	10,000	18,823	\$ 8,823
TOTAL REVENUES	390,168	400,168	442,643	42,475
EXPENDITURES				
General government	137,670	143,240	126,453	16,787
Legislative	9,000	9,000	5,933	3,067
Public safety	62,550	79,550	50,962	28,588
Public works	223,500	223,500	162,694	60,806
Recreation and culture	19,700	19,700	17,589	2,111
Cemetery	52,400	56,013	52,677	3,336
TOTAL EXPENDITURES	504,820	531,003	416,308	114,695
REVENUES OVER (UNDER) EXPENDITURES	(114,652)	(130,835)	26,335	157,170
NET CHANGE IN FUND BALANCES	(114,652)	(130,835)	26,335	157,170
FUND BALANCE, BEGINNING OF YEAR	861,440	861,440	861,440	-
FUND BALANCE, END OF YEAR	\$ 746,788	\$ 730,605	\$ 887,775	-

The accompanying notes are an integral part of the financial statements.

**EASTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND**

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Interest	\$ 1,000	\$ 1,000	\$ 1,765	\$ 765
TOTAL REVENUES	1,000	1,000	1,765	765
EXPENDITURES:				
Transfer to General Fund	-	10,000	10,000	-
TOTAL EXPENDITURES	-	10,000	10,000	-
REVENUES OVER (UNDER) EXPENDITURES	1,000	(9,000)	(8,235)	765
NET CHANGE IN FUND BALANCES	1,000	(9,000)	(8,235)	765
FUND BALANCE, BEGINNING OF YEA	90,366	90,366	90,366	-
FUND BALANCE, END OF YEAR	\$ 91,366	\$ 81,366	\$ 82,131	-

The accompanying notes are an integral part of the financial statements.

EASTON TOWNSHIP
STATEMENT OF NET ASSETS
SEWER ENTERPRISE FUND

March 31, 2005

Assets

Current Assets

Cash and deposits	\$ 294,827
	<hr/>
Total current assets	294,827

Noncurrent Assets

Capital charges receivable	99,930
Property, plant, and equipment, net of accumulated depreciation	257,327
	<hr/>
Total noncurrent assets	357,257

Total Assets	<hr/> 652,084 <hr/>
---------------------	----------------------------

Liabilities	0
--------------------	---

Net assets

Invested in capital assets, net or related debt	257,327
Restricted for sewer maintenance	394,757
Unrestricted	-
	<hr/>
Total net assets	<hr/> \$ 652,084 <hr/>

The accompanying notes are an integral part of the financial statements.

EASTON TOWNSHIP
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS

SEWER ENTERPRISE FUND

FOR THE YEAR ENDED MARCH 31, 2005

Operating revenues

Charges for services:	<u>0</u>
Total operating revenues	0

Operating expenses

Administration	1,200
Depreciation	<u>7,953</u>
Total operating expenses	<u>9,153</u>

Operating income	<u>(9,153)</u>
-------------------------	----------------

Nonoperating revenue (expenses)

Interest from capital charges	5,485
Interest from investments	<u>7,501</u>

Total non-operating revenues (expenses)	<u>12,986</u>
------------------------------------------------	---------------

Change in net assets	3,833
----------------------	-------

Net assets, beginning of year	<u>648,251</u>
-------------------------------	----------------

Net assets, end of year	<u><u>\$ 652,084</u></u>
--------------------------------	--------------------------

The accompanying notes are an integral part of the financial statements.

EASTON TOWNSHIP
STATEMENT OF CASH FLOWS
SEWER FUNDS

FOR THE YEAR ENDED MARCH 31, 2005

Cash from operating activities

Cash paid for administration	(1,200)
------------------------------	---------

Net cash provided by operating activities	<u>(1,200)</u>
--------------------------------------------------	----------------

Cash flows from capital and related financing activities

Interest received on capital charges	5,485
Principal payments on capital charges	<u>23,068</u>

Net cash (used in) capital and relating financing activities	<u>28,553</u>
---------------------------------------------------------------------	---------------

Cash flows from investing activities

Interest received on deposits and investments	<u>7,501</u>
-----------------------------------------------	--------------

Net increase (decrease) in cash and cash equivalents	34,854
------------------------------------------------------	--------

Cash and cash equivalents at the beginning of the year	<u>259,973</u>
--------------------------------------------------------	----------------

Cash and cash equivalents at the end of the year	<u><u>\$ 294,827</u></u>
---------------------------------------------------------	--------------------------

Reconciliation of net income to net cash provided by operating activities

Net income	\$ 3,833
Adjustments to reconcile net income to cash provided	
Depreciation expense	7,953
Changes in assets and liabilities which provided (used) cash	
Accounts receivable	14,203
Capital Charges receivable	<u>8,865</u>

Net cash provided by operating activities	<u><u>\$ 34,854</u></u>
--------------------------------------------------	-------------------------

The accompanying notes are an integral part of the financial statements.

EASTON TOWNSHIP
FIDUCIARY FUND
TAX AGENCY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2005

Assets

Cash in bank	\$ 2,737
Due from other governments	5,455
Total Assets	<u><u>8,192</u></u>

Liabilities

Due to other funds	7,703
Due to other governments	489
Total Liabilities	<u><u>\$ 8,192</u></u>

STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

Receipts

Tax Collections	\$ 1,336,152
Interest income	1,123
Total cash receipts	<u><u>1,337,275</u></u>

Disbursements

Tax payments to government agencies	1,359,529
Interest transferred to other funds	1,123
Fees	50

Total cash disbursements	<u><u>1,360,702</u></u>
---------------------------------	-------------------------

Total receipts over (under) disbursements (23,427)

Cash balance at the beginning of the year	<u>26,164</u>
-------------------------------------------	---------------

Cash balance at the end of the year	<u><u>\$ 2,737</u></u>
--------------------------------------------	------------------------

The accompanying notes are an integral part of the financial statements.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Easton Township was organized on March 29, 1843, under the applicable laws of the State of Michigan. The Township is governed by a Board of Trustees which consists of Supervisor, Clerk, Treasurer, and two Trustees, and provides the following services: public safety (police, fire, ambulance), road maintenance, sewer, parks and recreation, cemetery, public improvements, and general administrative services.

The financial statements of the Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below:

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present a financial report of all funds of Easton Township.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segments. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary funds. Agency funds follow the accrual basis of accounting, and they do not follow a measurement focus because they do not report the results of operations (assets equal liabilities). Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures in the current period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Township. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer enterprise funds are charges for services. Operating expenses for the enterprise fund include wages, supplies, utilities, charges for services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reporting as nonoperating revenues and expenses.

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Township reports the following major government funds:

General Fund – This fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

Special Revenue Fund – These funds are used to account for revenue from specific revenue sources and related expenditures which are restricted for specific purposes by administrative action or law.

The Township reports the following major proprietary fund:

Sewer – This fund is used to account for the operations of the Township's sewer department that provides sewer services to township residents on a user charge basis.

Additionally, the Township reports the following fund type:

Tax Agency Fund – This fund is used to account for property tax collections from Easton Township real and personal property owners and its disbursement to applicable government entities and agencies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

Budgets and Budgetary Accounting

Annual budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). The Township follows these procedures in establishing the budgetary data that is reflected in the financial statements:

1. The budgets are generated with input from the clerk, treasurer, supervisor, and Township trustees.
2. Public hearings are conducted to obtain taxpayer comments and recommendations. The operating budgets include proposed expenditures and the means of financing them.
3. The budget is legally enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
5. Budget appropriations lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621. Expenditures may not exceed appropriations at the functional level for all funds (the legal level of budgetary control). The appropriations resolutions are based on the projected expenditure budgets by function. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any department must be approved by the Township Board.
7. Budgeted amounts are as originally adopted, or as amended by the Township Board. Supplemental budget appropriations were made during the year.
8. Encumbrance accounting is not utilized.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

Investments

Investments are stated at fair value.

Restricted Assets

Certain proceeds of the Sewer Fund, as well as certain resources set aside for their maintenance, are classified as restricted assets on the statement of net assets because their use is limited by applicable agreements with the City of Ionia.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental and business activities column in the government-wide financial statements. Capital assets are also presented in the proprietary fund statements. The Township does not currently own infrastructure (roads, tunnels, bridges, etc.) except for roads constructed in the Easton Township Cemetery. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

Land and historical artifacts are not subject to depreciation. Depreciation on the other capital assets of the primary government is computed using the 'straight-line method over the following useful lives:

	<u>Depreciable Life-Years</u>
Sanitary sewer systems.....	50
Furniture and equipment.....	5 – 15
Building and structures.....	10 – 40
Building improvements.....	15
Machinery and equipment.....	7 - 20

Property Taxes

Property taxes for the Township are attached as an enforceable lien on property as of December 1 of each year. The December 1 levy is recorded as a revenue during the current fiscal year, and is intended to fund expenditures of the current year.

Taxes are levied December 1 and are due without penalty on or before February 14. These winter tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township; summer taxes are collected for other entities within the Township.

Real property taxes not collected are returned to the County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

Deferred Revenue

Government funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and for resources that have been received, but not yet earned. For the year ended March 31, 2005, Easton Township had no deferred revenue.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

Fund Equity

In the fund statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Proprietary funds report restricted net assets equal to restricted assets less related liabilities. The governmental funds of Easton Township have no reservation or designations of their \$956,540 fund equity.

Interfund Transactions

During the course of normal operations, the Township has transactions between funds, including transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as transfers. Operations subsidies are also recorded as transfers.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2005, the Township was covered by a liability and property insurance policy in the Michigan Township Participating Plan through Burnham & Flowers Insurance group. The insurance limitations are: Property, \$227,500; Liability, \$5,000,000; Wrongful acts, \$5,000,000; Automobile, \$2,000,000.

EASTON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

2. CASH AND DEPOSITS, INVESTMENTS, AND RESTRICTED ASSETS

The cash deposits and investments for the Township are as follows:

	Governmental Activities	Business-type Activities	Agency Fund	Total
Deposits:				
Cash and deposits	\$ 215,305	\$ 182,226	\$ 2,737	\$ 400,268
Investments	634,936	112,601		747,537
	<u>\$ 850,241</u>	<u>\$ 294,827</u>	<u>\$ 2,737</u>	<u>\$ 1,147,805</u>

The carrying amount of the Township's governmental funds and business-type fund deposits at March 31, 2005, was \$1,145,068. All of these deposits are insured by the Federal Deposit Insurance Corporation. These deposits are in three (3) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at fair value.

Statutory Authority

State statutes authorize the Township to invest in:

1. Bond securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services that matures not more than 270 days after the date of purchase.
4. Bankers acceptances of United States banks.
5. Obligations of the State of Michigan or its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
6. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
7. External investment pools as authorized by Public Act 20 as amended through December 21, 1997.

Township investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. Investments held by the Township are reported at fair value.

EASTON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

All deposit accounts of Easton Township are in Category 1, registered and insured, and are listed as follows:

	Account	Amount @ March 31, 2005
General Fund:		
Ionia County National Bank	Checking Account	\$ 215,285.91
Fifth Third Bank	Business 53 Maxsaver	124,107.87
Portland Federal Credit Union	Savings Account	18.88
Portland Federal Credit Union	Certificate of Deposit	34,837.78
Portland Federal Credit Union	Certificate of Deposit	103,903.94
Portland Federal Credit Union	Certificate of Deposit	78,077.68
Portland Federal Credit Union	Certificate of Deposit	125,242.08
Ionia County National Bank	Certificate of Deposit	86,636.18
TOTAL GENERAL FUND		768,110.32
Special Revenue Fund:		
Fifth Third Bank	Business 53 Maxsaver	82,130.74
TOTAL SPECIAL REVENUE FUND		82,130.74
Sewer Fund:		
Ionia County National Bank	Checking Account	182,226.12
Portland Federal Credit Union	Certificate of Deposit	14,754.96
Portland Federal Credit Union	Certificate of Deposit	97,845.74
TOTAL SEWER FUND		294,826.82
TOTAL – ALL GOVERNMENTAL & BUSINESS-TYPE FUNDS		\$ 1,145,067.88

EASTON TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

3. CAPITAL ASSETS

A summary of changes in Capital Assets follows:

	<u>Balance</u> <u>April 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>March 31, 2005</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 7,325			\$ 7,325
Historical artifacts	1,000			1,000
Capital assets, being depreciated				
Buildings	16,598			16,598
Building and grounds improvements	12,894	32,774		45,668
Machinery and equipment	12,799	766		13,565
Less accumulated depreciation for:				
Buildings	12,387			12,387
Building and grounds improvement	7,920			7,920
Machinery and equipment	6,602			6,602
Total capital assets being depreciated, net	15,382			57,247
Less current depreciation for:				
Buildings			373	373
Building and grounds improvement			1,016	1,016
Machinery and equipment			2,231	2,231
Total current depreciation				3,620
Governmental activities capital assets, net	23,707	33,540	3,620	53,627
Business-type activities:				
Capital assets being depreciated:				
Sewer system	397,654			397,654
Less accumulated depreciation:				
Sewer system	132,374			132,374
Less current depreciation:				
Sewer system			7,953	7,953
Business-type activities capital assets, net	\$ 265,280		\$ 7,953	\$ 257,327

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

Depreciation expense was charged to functions/programs of the primary government as follows:

	<u>March 31, 2005</u>
Governmental activities:	
General government.....	\$ 965
Cemetery.....	424
Legislative.....	<u>2,231</u>
Total depreciation expense – government activities.....	<u>\$ 3,620</u>
Business-type activities:	
Sewer.....	<u>\$ 7,953</u>

4. CONTRIBUTORY PENSION PLAN

Easton Township contributes to a group pension plan through John Hancock Life Insurance Company. The eligible participants are elected officials and appointed individuals. The Township contributes 15% of the participant's compensation, and a participant may also make voluntary contributions. For the year ended March 31, 2005, the Township contributed \$10,347 to the pension plan.

5. EASTON SEWER SYSTEM

The original sewage disposal system was jointed owned by the Townships of Easton and Ionia and the City of Ionia. Bonds to construct the system were sold in 1976, 1990, 2001, 2004, and 2005. Until June 30, 1991, the City of Ionia, Easton Township, and Ionia Township made debt payments related to the cost of the sewer facilities and lines laid within their borders.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

As of June 30, 1991, the allocation of debt payments was changed to reflect annual flow from each of the three entities with the heaviest users paying a larger portion of the debt payments.

Easton Township entered into an agreement with the City of Ionia that took effect on August 1, 2001. According to this agreement, the City of Ionia took over the operation of the portion of the sewer system within Easton Township. The City began billing Township customers directly based on the current rate structure. The City is now responsible for all operational costs of the system. In this agreement, Easton Township retained all rights and title to the sewer facilities installed in the township before August 1, 2001. The allocated value of these sewer lines is \$397,654 less accumulated depreciation of \$140,327, for a net book value of \$257,327 as of March 31, 2005.

On October 22, 2002, Easton Township chose to pay off its portion of the existing sewer debt based on its percentage of ownership at a cost of \$203,270. This payoff did include the balance on the capital charges owed by residents who had hooked up to the sewer system. When residents hooked up to the system, they had the option of paying the hook-up charges in advance or paying for them with quarterly payments. These payments represent principal and interest payments on the hook-up charge. The balance on these hook-up or capital charges is shown as a receivable to the township sewer fund and has a balance of \$99,930 as of March 31, 2005.

6. LITIGATION

In the normal course of its activities, the Township has become a party in various legal actions, including property tax assessment appeals. At the current time, the Easton Township ordinance regarding minimum lot size is being challenged by a developer who wishes to develop a high-density neighborhood. Though the Township's minimum lot size ordinance was upheld by the Circuit Court, the developer could appeal to the Michigan Court of Appeals. Defending an appeal would cost the Township substantial legal fees. Since the Township has adequate reserves, the Township is of the opinion that the outcome of such actions would not have material effect on the financial position of the Township and, therefore, has not reflected loss reserves in the financial statements.

EASTON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

7. DUE FROM (TO) OTHER FUNDS

Amounts due from (to) others funds representing interfund receivable and payable balances at March 31, 2005, are detailed as follows:

	<u>Due from</u>	<u>Due to</u>
General Fund.....	\$ -	\$ 7,703
Tax Agency Fund.....	\$ 7,703	\$ -

8. TRANSFERS

Transfers in and out for the year ended March 31, 2005, are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund.....	\$ 10,000	\$ -
Special Revenue Fund.....	\$ -	\$ 10,000

A sum of \$10,000 as transferred from the special revenue fund to the general fund in anticipation of legal costs regarding the legal challenge of Westview Partners LLC to the Township's minimum lot-size ordinance law.

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund. Revenues in this fund are derived primarily from general property taxes, fees for services, interest, state shared revenues, grant, and intergovernmental revenues. General operating expenditures of the Township are accounted for in this fund, including Township Administration, Public Safety, Public Works, Recreation and Culture and Other.

The legal level of budgetary control of the General Fund is at the activity level, as reflected on the following Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

EASTON TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
TAXES				
Current property taxes	\$ 54,828	\$ 54,828	\$ 55,254	\$ 426
Delinquent property taxes	12,840	12,840	5,455	(7,385)
TOTAL TAXES	<u>67,668</u>	<u>67,668</u>	<u>60,709</u>	<u>(6,959)</u>
LICENSES AND PERMITS				
Land division act fees	1,500	1,500	500	(1,000)
Cable franchise fees	6,000	6,000	6,234	234
Licenses and permits	100	100	50	(50)
TOTAL LICENSES AND PERMITS	<u>7,600</u>	<u>7,600</u>	<u>6,784</u>	<u>(816)</u>
STATE SOURCES				
State revenue sharing	300,000	300,000	322,854	22,854
Telecom revenue share	6,500	6,500	3,579	(2,921)
	<u>306,500</u>	<u>306,500</u>	<u>326,433</u>	<u>19,933</u>
CHARGES FOR SERVICES				
Cemetery lot sales	500	500	4,825	4,325
Rents and royalties	2,000	2,000	2,850	850
TOTAL CHARGES FOR SERVICES	<u>2,500</u>	<u>2,500</u>	<u>7,675</u>	<u>5,175</u>
FINES AND FORFEITURES				
Ordinance violation fines	1,500	1,500	2,916	1,416
INVESTMENT EARNINGS				
Interest on deposits	4,400	4,400	19,303	14,903
OTHER REVENUE				
Refunds and rebates	0	0	552	552
Transfer from special revenue fund	0	10,000	10,000	0
Other revenue	0	0	8,271	8,271
TOTAL OTHER REVENUE	<u>0</u>	<u>10,000</u>	<u>18,823</u>	<u>8,823</u>
TOTAL REVENUES	<u>\$ 390,168</u>	<u>\$ 400,168</u>	<u>\$ 442,643</u>	<u>\$ 42,475</u>

EASTON TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
EXPENDITURES				
LEGISLATIVE				
Township board	\$ 9,000	\$ 9,000	\$ 5,933	\$ 3,067
GENERAL GOVERNMENT				
Supervisor	17,520	17,520	16,192	1,328
Elections	6,400	6,400	5,886	514
Assessor	21,600	21,600	15,998	5,602
Clerk	19,050	20,850	20,840	10
Board of review	2,400	2,400	2,311	89
Treasurer	29,050	29,050	26,621	2,429
Townhall	14,050	17,820	17,279	541
Insurance	2,000	2,000	1,820	180
Pension plan	10,000	10,000	10,347	(347)
Employment taxes	1,000	1,000	647	353
Accounting and legal	14,600	14,600	8,512	6,088
Total general government	137,670	143,240	126,453	16,787
PUBLIC SAFETY				
Township deputy	30,050	30,050	26,828	3,222
Fire department	12,500	12,500	3,639	8,861
Ambulance	20,000	37,000	20,495	16,505
Total public safety	62,550	79,550	50,962	28,588
PUBLIC WORKS				
Drains	1,000	1,000	0	1,000
Road work	215,000	215,000	154,892	60,108
Street lighting	7,500	7,500	7,802	(302)
Total public works	\$ 223,500	\$ 223,500	\$ 162,694	\$ 60,806

**EASTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
RECREATION AND CULTURE				
Economic development	\$ 1,350	\$ 1,350	\$ 1,348	\$ 2
Recreation and parks	5,000	5,000	5,000	0
Community supports	13,350	13,350	11,241	2,109
Total recreation and culture	19,700	19,700	17,589	2,111
CEMETERY				
Cemetery	52,400	56,013	52,677	3,336
TOTAL EXPENDITURES	504,820	531,003	416,308	114,695
REVENUE OVER (UNDER) EXPENDITURES	(114,652)	(130,835)	26,335	157,170
NET CHANGE IN FUND BALANCE	(114,652)	(130,835)	26,335	157,170
FUND BALANCE, BEGINNING OF YEAR	861,440	861,440	861,440	-
FUND BALANCE, END OF YEAR	<u>\$ 746,788</u>	<u>\$ 730,605</u>	<u>\$ 887,775</u>	<u>-</u>

Lawrence Tiejema, PC

Certified Public Accountant

1187 Hawley Highway

Saranac, MI 48881

Phone: 616-642-0384

Fax: 616-642-0610

Email: tiej@iserv.net

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

November 9, 2005

The Township Board
Easton Township
Ionia County, Michigan

I have audited the financial statements of the governmental activities, the business-type activity, and the aggregate remaining fund information of the Township of Easton, State of Michigan, as of and for the year ended March 31, 2005, which collectively comprise Easton Township's basic financial statements and have issued a report thereon dated November 9, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

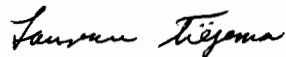
In planning and performing my audit, I considered the Easton Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Easton Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the township board officers, bond and credit holders, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Lawrence Tiejema, PC.

November 9, 2005

Lawrence Tiejema, PC

Certified Public Accountant

1187 Hawley Highway

Saranac, MI 48881

Phone: 616-642-0384

Fax: 616-642-0610

Email: tiej@iserv.net

RECEIVED
DEPT. OF TREASURY

NOV 30 2005

LOCAL AUDIT & FINANCE DIV.

November 23, 2005

Township Board
Easton Township
720 North Bellamy Road
Ionia, MI 48881

To the members of the township board:

I would like to thank the township board members who assisted me in completing the audit of Easton Township for the year ended March 31, 2005. Clerk Betty Rowley, Treasurer Tracy Dinehart, and Supervisor Joseph McCord were especially helpful. With their help, I was able to access all the needed records and supporting documentation to successfully complete the audit and issue an appropriate opinion.

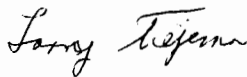
During the course of the audit, I noted certain practices and procedures that call for additional comments. None of these were material weaknesses in internal control or deliberate violations of law. The following items can be discussed during our exit conference to be scheduled in the near future:

- (1) Arlene Hecht, the former treasurer, appears to be listed as an independent contractor for purposes of the summer tax collection. Since the summer tax collection process is essentially similar to the winter tax collection, Ms. Hecht should be an employee for all tax collection procedures. As such, her summer tax compensation should be reported on a W-2 instead of a 1099-MISC.
- (2) While examining source documents for Easton Township funds, I noted that several payments did not contain supporting documentation. These payments concerned payments to other governments and to independent contractors. The copy of the checks written to independent contractors should contain a bill or statement from the vendor requesting payment, or a reference to an agreement that calls for periodic payments. Checks written to governmental entities should contain a copy of documentation that requires such payments.

- (3) It would be a good practice for the Township to note in its minutes when a bank and investment account is opened or closed. Some townships give complete authority to the treasurer to pick the appropriate bank and investment accounts. Other townships require approval any time the township opens a new account, transfers funds between accounts, and closes an account. Noting changes to bank and investment accounts in the minutes provides township board members with the information they need to act as stewards of the township's resources.
- (4) When auditing the sewer fund of Easton Township, I noted a need to bring records up to date. When the sewer system was created, the affected residents had a choice of whether to pay a hook-up charge at the time of the hook-up or finance it over a 25-year time period. Since most residents chose to finance this obligation, these residents make quarterly payments of principal and interest on their outstanding balances. The principal balance of this account is called "Capital Charges" in the financial statements. In 2001 the sewer records regarding capital charges were turned over to the City of Ionia for collection. The City collects the capital charges and periodically sends these collections to Easton Township. For the residents who do not live in Sherwood Forest, complete and thorough records exist on the hook-up balance of each resident. However, records regarding Sherwood Forest units do not appear to be as thorough and current. I would suggest that the Township contact the City of Ionia and owner of the Sherwood Forest facility to determine the fair and equitable balances of each property.

I would again like to thank you for your co-operation with the audit for the year ended March 31, 2005. If you have any questions, please contact me.

Sincerely,



Larry Tiejema, CPA